

# **DELAWARE HEALTH FACILITIES AUTHORITY**

## **Minutes of Meeting**

**of**

**November 1, 2018**

A Meeting of the Delaware Health Facilities Authority (the "Authority") was held after proper notice at 10:00 a.m., November 1, 2018, in the offices of Potter Anderson & Corroon LLP at 1313 N. Market Street, 6<sup>th</sup> Floor, Wilmington, Delaware.

Attending in person were Authority members (such individuals, the "Members"):

Rolf F. Eriksen (Chairman)  
Desmond A. Baker  
W. Jack Riddle  
Howard A. Palley, Ph.D.  
Lisa More

Also attending in person were:

Matthew J. O'Toole of Potter Anderson & Corroon LLP, counsel to the Authority  
Alyssa L. Gerace of Potter Anderson & Corroon LLP, counsel to the Authority  
Huston A. Firment of Potter Anderson & Corroon LLP, counsel to the Authority  
Emilie Ninan of Ballard Spahr LLP, bond counsel to the Authority  
Jeffrey Fried of Beebe Medical Center, Inc.  
Rick Schaffner of Beebe Medical Center, Inc.  
Alex Sydnor of Beebe Medical Center, Inc.  
Paul Pernice of Beebe Medical Center, Inc.  
John Cheney of Ponder & Co.  
Chris Tucker of PNC Capital Markets LLC  
Chris Doyle of PFM Financial Advisors LLC ("PFM")  
Stephen Murphy of PFM  
Michael Davidson of Turner Law, P.C.

The following individuals participated in the meeting via conference telephone call by means of which all participants in the meeting could hear each other:

Bruce Leshine, Esq., of Beebe Medical Center, Inc.

There was one member of the public in attendance.

All documents referred to in these Minutes and not attached hereto are filed in the records of the Authority. Copies are available upon request.

Chairman Rolf F. Eriksen called the meeting to order at 10:10 a.m.

**Consideration of Application for Revenue Bond Financing Submitted by Beebe Medical Center, Inc.**

The meeting opened with a discussion of the Application for Revenue Bond Financing dated October 1, 2018 (as amended on October 18, 2018, the "Application"), submitted by Beebe Medical Center, Inc. ("Beebe"), requesting the Authority's issuance of bonds in an amount not to exceed \$180,000,000 (the "Series 2018 Bonds").

Beebe, its advisors, and the Members participated in presentations and discussions regarding the Application and Beebe's planned 2019 bond issuance. In particular, Mr. Pernice, Mr. Schaffner, Ms. Ninan and Mr. Cheney presented information to, and answered questions from, the Members, including in regard to the following matters:

In response to a question by Ms. More, Mr. Pernice reported that Beebe expects to receive \$23 million in capital campaign donations before the projects are completed, and noted that Beebe has cash reserves to cover the expected amount of capital campaign donations.

In response to a question by Mr. Palley, Mr. Pernice confirmed that Beebe has a management contract with a for-profit corporation that provides emergency room services in certain of Beebe's facilities. Ms. Ninan stated that the management contract complies with applicable federal tax "safe harbor" rules.

In response to a question by Mr. Eriksen about reducing losses in Beebe's medical group, Mr. Fried noted that Beebe has a large number of physicians in its medical group, and stated that Beebe has hired new leadership and is engaged in an ongoing effort to standardize physician contracts and change processes in Beebe's facilities to increase throughput and treat more patients.

In response to a question by Mr. Riddle with regard to loan covenants on existing debt, Mr. Cheney noted that certain liquidity requirements imposed during Beebe's prior bond issuance in 2015 will be removed for the Series 2018 Bonds, due in part to a rule change for hospital revenue bonds where the hospital is rated "BBB" or higher. Mr. Cheney noted that S&P Global Ratings maintained a "BBB" rating with a stable outlook for Beebe's Series 2018 Bonds, which included consideration of Beebe's planned 2019 bond issuance.

In response to other questions from the Members, individuals representing Beebe discussed Beebe initiatives and policies that address the aging population and projected population growth in southern Delaware, Beebe's assumptions with regard to future payer mix, Beebe's staffing benchmarks, and Beebe's efforts to engage local engineers and architects.

Mr. Cheney presented detailed information to the Members regarding the proposed plan of finance.

Following the presentations and discussions, Ms. Doyle and Mr. Murphy turned the Members' attention to PFM's bond financing memorandum and stated PFM's favorable

recommendation regarding the proposed 2018 bond issuance. Ms. Doyle noted that Beebe will be entering the marketplace with the Series 2018 Bonds at a time of favorable conditions due to high demand, which she attributed to a dearth of supply after the recent elimination of advance refunding of municipal bonds issued after 2017.

Further discussion ensued with regard to Beebe's proposed projects, one of which (the "Rehoboth Campus Project") had not received Certificate of Public Review ("COPR") approval from the Delaware Health Resources Board (the "DHRB") as of the date of the Authority's meeting to consider the Application. Beebe informed the Authority that the DHRB scheduled a hearing to consider granting COPR approval for the Rehoboth Campus Project for November 13, 2018.

Mr. O'Toole informed the Members that the Authority could provide conditional approval of all of Beebe's proposed projects pending COPR approval for the Rehoboth Campus Project, or provide partial approval for Beebe's proposed projects that have already received or do not require COPR approval ("Partial Approval"). After discussion, the Members determined that they would move forward with Partial Approval, and Mr. O'Toole presented the related bond resolution to the Authority, attached hereto as Exhibit A (the "Bond Resolution").

Mr. Eriksen confirmed that there was no public comment from the member of the public in attendance with regard to the Application.

Upon motion duly made and seconded, the Members unanimously adopted the Bond Resolution. Those in attendance representing Beebe thanked the Members for their consideration and exited, and the conference call ended.

The Members recessed from 12:10 p.m. to 12:50 p.m. Thereafter, the Members turned to other Authority matters.

#### **Other Business**

The Members reviewed written resolutions (attached hereto as Exhibit B) electing officers of the Authority, authorizing the Authority's payment of costs and execution of documents associated with the procurement of a surety bond as described in the Delaware Health Facilities Act, 16 Del. C. § 9204(e), and authorizing each of the Chairperson, Vice Chairperson, and Assistant Treasurer to sign checks of the Authority, provided that all checks of the Authority require the signatures of two of the foregoing officers (the "Other Business Resolutions"). Upon motion duly made and seconded, the Members unanimously adopted the Other Business Resolutions.

#### **Adjournment**

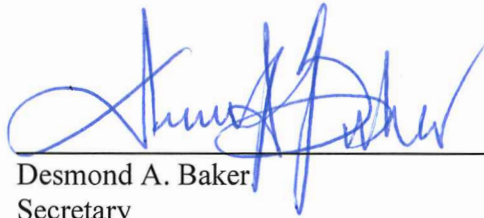
There being no further business, Mr. Eriksen adjourned the meeting at 1:05 p.m.

**CERTIFICATION**

I, Desmond A. Baker, hereby certify that the foregoing is a true and correct copy of the Minutes of Meeting of the Delaware Health Facilities Authority held on November 1, 2018.

Date:

11/20/18



---

Desmond A. Baker  
Secretary